# RESPONSE TO THE SOVIET INVASION OF AFGHANISTAN

Summary of Points Covered by President Carter at a Briefing for Members of Congress, January 8, 1980

1) The Soviet invasion of Afghanistan is perhaps the most serious threat to peace since World War II.

2) The Soviet Union must be made to realize that they cannot take such action with impunity.

The United States has a responsibility to ourselves and to those who look to us for leadership in the world to take strong action to impress upon the Soviet Union the cost of their behavior and the determination and will of the American people.

3) The President had three choices in responding to the Soviet invasion: political action, economic action, and direct military action.

4) The President chose to maintain the peace and exercise the first two options.

5) Politically, we and 50 other nations have brought the matter before the Security Council. Now that the Soviet Union has vetoed the Security Council Resolution condemning their aggression, we may decide to bring the matter before the General Assembly. Most nations around the world have joined with the United States in making public statements of condemnation.

6) Economically, we will severely restrict trade and exchanges of all kinds in a way that will be costly to the economic plans of the Soviet Union:

a) General commerce.

b) High technology items which are very important to Soviet plans for expanding production.

c) Agricultural products. (Soviet production of meat will decline by 20% in 1980. We are assured that other grain exporting countries will not replace this quantity of grain.)

d) Scientific exchanges.

e) No more fishing rights in American waters.

7) These necessary actions involve a cost to the United States. The President is determined that this cost will be borne fairly by the whole country and will <u>not</u> fall just upon American farmers or any other group.

The United States government will buy all the grain that would have gone to the Soviet Union. That grain will be used to increase our reserves, to produce gasohol and to feed starving people around the world. It will not be used to depress farm prices.

## Summary of Actions Taken to Offset Effects on U.S. Agriculture of Soviet Grain Suspension



We have taken four major actions to offset the price depressing effects of the suspended grain shipments:

1) Assume Contractual Obligations to Export

The Commodity Credit Corporation has offered to assume the contractual obligations for wheat, corn, and soybeans previously committed for shipment to the Soviet Union. We assume that this will result in CCC assumption of contracts covering about 10 million tons of corn. We have offered to assume these contracts at the contract price minus any costs that have not already been paid. Grain so purchased will not be resold into the market until it can be done without adversely affecting market prices.

2) Formation of Emergency Wheat Reserve

The Commodity Credit Corporation has offered to purchase wheat contracted for export to the Soviet Union for the purpose of forming an emergency wheat reserve. In this case too, we would offer to purchase at the contract price. We anticipate that about 3.7 million tons will be so purchased. Legislative authority will be required for rules governing the release of this grain.

3) Increase in Loan Rates

The loan rates for wheat and feed grains will be increased as follows:

wheat - from \$2.35 to \$2.50
corn - from \$2.00 to \$2.10
(Loan rates for other feed grains will be increased comparatively)

These higher loan rates will aid in making participation in the farmer-held grain reserve more attractive. They will also provide additional subsidized credit to participating farmers.

4) Reserve Program Modifications

To encourage farmers to place additional grain in the farmer-held grain reserve, we are taking several actions, including the following:

- An increase in the release price:

  wheat - from $3.29 to $3.75
  corn - from $2.50 to $2.63

- An increase in the call price:

  wheat - from $4.11 to $4.63
  corn - from $2.80 to $3.05

  (Comparable increases on both release and call levels will be made for other feed grains.)

- Waive first year interest costs for the next 13 million tons of corn entering the reserve.

- Increase reserve storage payments from 25 to 26½ cents.

Note: A decision on a paid diversion program for 1980 crop grains will be made at a later date.